

CS FOR HOUSE BILL NO. 110(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered: 3/30/11

Referred: Today's Calendar

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the interest rate applicable to certain amounts due for fees, taxes,**
2 **and payments made and property delivered to the Department of Revenue; relating to**
3 **the oil and gas production tax rate; relating to monthly installment payments of the oil**
4 **and gas production tax; relating to oil and gas production tax credits, including**
5 **qualified capital credits for exploration, development, and production; relating to**
6 **certain additional nontransferable oil and gas production tax credits; relating to the**
7 **disclosure of certain tax information; making conforming amendments; and providing**
8 **for an effective date."**

9 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

10 *** Section 1.** AS 05.15.095(c) is amended to read:

11 (c) A delinquent fee bears interest at the rate set by AS 43.05.225(2)
12 [AS 43.05.225].

1 * **Sec. 2.** AS 34.45.470(a) is amended to read:

2 (a) A person who fails to pay or deliver property within the time prescribed by
3 this chapter may be required to pay to the department interest at the annual rate
4 calculated under AS 43.05.225(2) [AS 43.05.225] on the property or the value of it
5 from the date the property should have been paid or delivered.

6 * **Sec. 3.** AS 43.05.225 is amended to read:

7 **Sec. 43.05.225. Interest.** Unless otherwise provided,

8 (1) when a tax levied in this title becomes delinquent, it bears interest
9 in a calendar quarter at the rate of three [FIVE] percentage points above the annual
10 rate charged member banks for advances by the 12th Federal Reserve District as of the
11 first day of that calendar quarter, or at the annual rate of 11 percent, whichever is
12 lesser [GREATER], compounded quarterly as of the last day of that quarter;

13 (2) the interest rate is 12 percent a year for

14 (A) delinquent fees payable under AS 05.15.095(c); **and**

15 (B) [REPEALED AND

16 (C)] unclaimed property that is not timely paid or delivered, as
17 allowed by AS 34.45.470(a).

18 * **Sec. 4.** AS 43.20.046(i) is amended to read:

19 (i) The issuance of a refund under this section does not limit the department's
20 ability to later audit or adjust the claim if the department determines, as a result of the
21 audit, that the person that claimed the credit was not entitled to the amount of the
22 credit. The tax liability of the person receiving the credit under this chapter is
23 increased by the amount of the credit that exceeds that to which the person was
24 entitled. If the tax liability is increased under this subsection, the increase bears
25 interest under AS 43.05.225(1) [AS 43.05.225] from the date the refund was issued.

26 * **Sec. 5.** AS 43.50.570 is amended to read:

27 **Sec. 43.50.570. Interest.** A licensee who fails to pay an amount due for the
28 purchase of stamps within the time required

29 (1) is considered to have failed to pay the cigarette taxes due under this
30 chapter; and

31 (2) shall pay interest at the rate established under AS 43.05.225(1)

1 [AS 43.05.225] from the date on which the amount became due until the date of
2 payment.

3 * **Sec. 6.** AS 43.55.011(e) is amended to read:

4 (e) There is levied on the producer of oil or gas a tax for all oil and gas
5 produced each calendar year from each lease or property in the state, less any oil and
6 gas the ownership or right to which is exempt from taxation or constitutes a
7 landowner's royalty interest. Except as otherwise provided under (f), (j), (k), and (o) of
8 this section, the tax is equal to the sum of

9 [(1)] the annual production tax value of the taxable oil and gas

10 **(1) produced from a lease or property not described in (2) of this**
11 **subsection** as calculated under AS 43.55.160(a)(1) multiplied by 25 percent, **and the**
12 **sum, over all months of the calendar year, of the tax amounts determined under**
13 **(g)(1) of this section;** and

14 (2) **produced during the first seven consecutive years after the**
15 **start of sustained production or produced during the first seven years after the**
16 **effective date of this bill section, whichever is later, from a lease or property**
17 **containing land that was not or previously had not been within a unit or in**
18 **commercial production as of December 31, 2008, as calculated under**
19 **AS 43.55.160(a)(1) multiplied by 15 percent, and** the sum, over all months of the
20 calendar year, of the tax amounts determined under **(g)(2)** [(g)] of this section; **in this**
21 **paragraph, "sustained production" has the meaning given in AS 43.55.025(l).**

22 * **Sec. 7.** AS 43.55.011(g) is repealed and reenacted to read:

23 (g) For each month of the calendar year for which the producer's average
24 monthly production tax value under AS 43.55.160(a)(2) for each BTU equivalent
25 barrel of the taxable oil and gas is more than \$30, the amount of tax for purposes

26 (1) of (e)(1) of this section is determined by multiplying the monthly
27 production tax value of the taxable oil and gas produced during the month by the
28 following tax rates, as applicable:

29 (A) if the producer's average monthly production tax value of a
30 BTU equivalent barrel of the taxable oil and gas for the month is not more than
31 \$42.50, the tax rate is 2.5 percent of the difference between that average

1 monthly production tax value of a BTU equivalent barrel and \$30;

2 (B) if the producer's average monthly production tax value of a
3 BTU equivalent barrel of the taxable oil and gas for the month is more than
4 \$42.50 but not more than \$55, the tax rates are

5 (i) 2.5 percent on the first \$12.50 of monthly production
6 tax value for each BTU equivalent barrel that is greater than \$30; and

7 (ii) 7.5 percent of the monthly production tax value for
8 each BTU equivalent barrel that is greater than \$42.50;

9 (C) if the producer's average monthly production tax value of a
10 BTU equivalent barrel of the taxable oil and gas for the month is more than
11 \$55 but not more than \$67.50, the tax rates are

12 (i) 2.5 percent on the first \$12.50 of monthly production
13 tax value for each BTU equivalent barrel that is greater than \$30;

14 (ii) 7.5 percent of the next higher \$12.50 of monthly
15 production tax value for each BTU equivalent barrel; and

16 (iii) 12.5 percent of the monthly production tax value
17 for each BTU equivalent barrel that is greater than \$55;

18 (D) if the producer's average monthly production tax value of a
19 BTU equivalent barrel of the taxable oil and gas for the month is more than
20 \$67.50 but not more than \$80, the tax rates are

21 (i) 2.5 percent on the first \$12.50 of monthly production
22 tax value for each BTU equivalent barrel that is greater than \$30;

23 (ii) 7.5 percent of the next higher \$12.50 of monthly
24 production tax value for each BTU equivalent barrel;

25 (iii) 12.5 percent of the next higher \$12.50 of monthly
26 production tax value for each BTU equivalent barrel;

27 (iv) 17.5 percent of the monthly production tax value
28 for each BTU equivalent barrel that is greater than \$67.50;

29 (E) if the producer's average monthly production tax value of a
30 BTU equivalent barrel of the taxable oil and gas for the month is more than
31 \$80 but not more than \$92.50, the tax rates are

1 (i) 2.5 percent on the first \$12.50 of monthly production
2 tax value for each BTU equivalent barrel that is greater than \$30;

3 (ii) 7.5 percent of the next higher \$12.50 of monthly
4 production tax value for each BTU equivalent barrel;

5 (iii) 12.5 percent of the next higher \$12.50 of monthly
6 production tax value for each BTU equivalent barrel;

7 (iv) 17.5 percent of the next higher \$12.50 of monthly
8 production tax value for each BTU equivalent barrel; and

9 (v) 22.5 percent of the monthly production tax value for
10 each BTU equivalent barrel that is greater than \$80;

11 (F) if the producer's average monthly production tax value of a
12 BTU equivalent barrel of the taxable oil and gas for the month is more than
13 \$92.50, the tax rates are

14 (i) 2.5 percent on the first \$12.50 of monthly production
15 tax value for each BTU equivalent barrel that is greater than \$30;

16 (ii) 7.5 percent of the next higher \$12.50 of monthly
17 production tax value for each BTU equivalent barrel;

18 (iii) 12.5 percent of the next higher \$12.50 of monthly
19 production tax value for each BTU equivalent barrel;

20 (iv) 17.5 percent of the next higher \$12.50 of monthly
21 production tax value for each BTU equivalent barrel;

22 (v) 22.5 percent of the next higher \$12.50 of monthly
23 production tax value for each BTU equivalent barrel; and

24 (vi) 25 percent of the monthly production tax value for
25 each BTU equivalent barrel that is greater than \$92.50;

26 (2) of (e)(2) of this section is determined by multiplying the monthly
27 production tax value of the taxable oil and gas produced during the month by the
28 following tax rates, as applicable:

29 (A) if the producer's average monthly production tax value of a
30 BTU equivalent barrel of the taxable oil and gas for the month is not more than
31 \$42.50, the tax rate is 2.5 percent of the difference between that average

1 monthly production tax value of a BTU equivalent barrel and \$30;

2 (B) if the producer's average monthly production tax value of a
3 BTU equivalent barrel of the taxable oil and gas for the month is more than
4 \$42.50 but not more than \$55, the tax rates are

5 (i) 2.5 percent on the first \$12.50 of monthly production
6 tax value for each BTU equivalent barrel that is greater than \$30; and

7 (ii) 7.5 percent of the monthly production tax value for
8 each BTU equivalent barrel that is greater than \$42.50;

9 (C) if the producer's average monthly production tax value of a
10 BTU equivalent barrel of the taxable oil and gas for the month is more than
11 \$55 but not more than \$67.50, the tax rates are

12 (i) 2.5 percent on the first \$12.50 of monthly production
13 tax value for each BTU equivalent barrel that is greater than \$30;

14 (ii) 7.5 percent of the next higher \$12.50 of monthly
15 production tax value for each BTU equivalent barrel; and

16 (iii) 12.5 percent of the monthly production tax value
17 for each BTU equivalent barrel that is greater than \$55;

18 (D) if the producer's average monthly production tax value of a
19 BTU equivalent barrel of the taxable oil and gas for the month is more than
20 \$67.50 but not more than \$80, the tax rates are

21 (i) 2.5 percent on the first \$12.50 of monthly production
22 tax value for each BTU equivalent barrel that is greater than \$30;

23 (ii) 7.5 percent of the next higher \$12.50 of monthly
24 production tax value for each BTU equivalent barrel;

25 (iii) 12.5 percent of the next higher \$12.50 of monthly
26 production tax value for each BTU equivalent barrel;

27 (iv) 17.5 percent of the monthly production tax value
28 for each BTU equivalent barrel that is greater than \$67.50;

29 (E) if the producer's average monthly production tax value of a
30 BTU equivalent barrel of the taxable oil and gas for the month is more than
31 \$80 but not more than \$92.50, the tax rates are

1 (i) 2.5 percent on the first \$12.50 of monthly production
2 tax value for each BTU equivalent barrel that is greater than \$30;

3 (ii) 7.5 percent of the next higher \$12.50 of monthly
4 production tax value for each BTU equivalent barrel;

5 (iii) 12.5 percent of the next higher \$12.50 of monthly
6 production tax value for each BTU equivalent barrel;

7 (iv) 17.5 percent of the next higher \$12.50 of monthly
8 production tax value for each BTU equivalent barrel; and

9 (v) 22.5 percent of the monthly production tax value for
10 each BTU equivalent barrel that is greater than \$80;

11 (F) if the producer's average monthly production tax value of a
12 BTU equivalent barrel of the taxable oil and gas for the month is more than
13 \$92.50, the tax rates are

14 (i) 2.5 percent on the first \$12.50 of monthly production
15 tax value for each BTU equivalent barrel that is greater than \$30;

16 (ii) 7.5 percent of the next higher \$12.50 of monthly
17 production tax value for each BTU equivalent barrel;

18 (iii) 12.5 percent of the next higher \$12.50 of monthly
19 production tax value for each BTU equivalent barrel;

20 (iv) 17.5 percent of the next higher \$12.50 of monthly
21 production tax value for each BTU equivalent barrel;

22 (v) 22.5 percent of the next higher \$12.50 of monthly
23 production tax value for each BTU equivalent barrel; and

24 (vi) 25 percent of the monthly production tax value for
25 each BTU equivalent barrel that is greater than \$92.50.

26 * **Sec. 8.** AS 43.55.020(a) is amended to read:

27 (a) For a calendar year, a producer subject to tax under AS 43.55.011(e) - (i)
28 shall pay the tax as follows:

29 (1) an installment payment of the estimated tax levied by
30 AS 43.55.011(e), net of any tax credits applied as allowed by law, is due for each
31 month of the calendar year on the last day of the following month; except as otherwise

1 provided under (2) of this subsection, the amount of the installment payment is the
 2 sum of the following amounts, less 1/12 of the tax credits that are allowed by law to be
 3 applied against the tax levied by AS 43.55.011(e) for the calendar year, but the amount
 4 of the installment payment may not be less than zero:

5 (A) for oil and gas produced from leases or properties in the
 6 state outside the Cook Inlet sedimentary basin but not subject to
 7 AS 43.55.011(o), other than leases or properties subject to AS 43.55.011(f), the
 8 greater of

9 (i) zero; or

10 (ii) the **applicable tax rates in AS 43.55.011(e), as**
 11 **applicable, and 43.55.011(g), as applicable, applied to** [SUM OF 25
 12 PERCENT AND THE TAX RATE CALCULATED FOR THE
 13 MONTH UNDER AS 43.55.011(g) MULTIPLIED BY] the remainder
 14 obtained by subtracting 1/12 of the producer's adjusted lease
 15 expenditures for the calendar year of production under AS 43.55.165
 16 and 43.55.170 that are deductible for the leases or properties under
 17 AS 43.55.160 from the gross value at the point of production of the oil
 18 and gas produced from the leases or properties during the month for
 19 which the installment payment is calculated;

20 (B) for oil and gas produced from leases or properties subject
 21 to AS 43.55.011(f), the greatest of

22 (i) zero;

23 (ii) zero percent, one percent, two percent, three
 24 percent, or four percent, as applicable, of the gross value at the point of
 25 production of the oil and gas produced from all leases or properties
 26 during the month for which the installment payment is calculated; or

27 (iii) the **applicable tax rates in AS 43.55.011(e), as**
 28 **applicable, and 43.55.011(g), as applicable, applied to** [SUM OF 25
 29 PERCENT AND THE TAX RATE CALCULATED FOR THE
 30 MONTH UNDER AS 43.55.011(g) MULTIPLIED BY] the remainder
 31 obtained by subtracting 1/12 of the producer's adjusted lease

1 expenditures for the calendar year of production under AS 43.55.165
 2 and 43.55.170 that are deductible for those leases or properties under
 3 AS 43.55.160 from the gross value at the point of production of the oil
 4 and gas produced from those leases or properties during the month for
 5 which the installment payment is calculated;

6 (C) for oil and gas produced from each lease or property
 7 subject to AS 43.55.011(j), (k), or (o), the greater of

8 (i) zero; or

9 (ii) the **applicable tax rates in AS 43.55.011(e), as**
 10 **applicable, and 43.55.011(g), as applicable, applied to** [SUM OF 25
 11 PERCENT AND THE TAX RATE CALCULATED FOR THE
 12 MONTH UNDER AS 43.55.011(g) MULTIPLIED BY] the remainder
 13 obtained by subtracting 1/12 of the producer's adjusted lease
 14 expenditures for the calendar year of production under AS 43.55.165
 15 and 43.55.170 that are deductible under AS 43.55.160 for oil or gas,
 16 respectively, produced from the lease or property from the gross value
 17 at the point of production of the oil or gas, respectively, produced from
 18 the lease or property during the month for which the installment
 19 payment is calculated;

20 (2) an amount calculated under (1)(C) of this subsection for oil or gas
 21 produced from a lease or property subject to AS 43.55.011(j), (k), or (o) may not
 22 exceed the product obtained by carrying out the calculation set out in
 23 AS 43.55.011(j)(1) or (2) or 43.55.011(o), as applicable, for gas or set out in
 24 AS 43.55.011(k)(1) or (2), as applicable, for oil, but substituting in
 25 AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the amount of taxable
 26 gas produced during the month for the amount of taxable gas produced during the
 27 calendar year and substituting in AS 43.55.011(k)(1)(A) or (2)(A), as applicable, the
 28 amount of taxable oil produced during the month for the amount of taxable oil
 29 produced during the calendar year;

30 (3) an installment payment of the estimated tax levied by
 31 AS 43.55.011(i) for each lease or property is due for each month of the calendar year

1 on the last day of the following month; the amount of the installment payment is the
2 sum of

3 (A) the applicable tax rate for oil provided under
4 AS 43.55.011(i), multiplied by the gross value at the point of production of the
5 oil taxable under AS 43.55.011(i) and produced from the lease or property
6 during the month; and

7 (B) the applicable tax rate for gas provided under
8 AS 43.55.011(i), multiplied by the gross value at the point of production of the
9 gas taxable under AS 43.55.011(i) and produced from the lease or property
10 during the month;

11 (4) any amount of tax levied by AS 43.55.011(e) or (i), net of any
12 credits applied as allowed by law, that exceeds the total of the amounts due as
13 installment payments of estimated tax is due on March 31 of the year following the
14 calendar year of production.

15 * **Sec. 9.** AS 43.55.020(g) is amended to read:

16 (g) Notwithstanding any contrary provision of AS 43.05.225, an unpaid
17 amount of an installment payment required under (a)(1) - (3) of this section that is not
18 paid when due bears interest (1) at the rate provided for an underpayment under 26
19 U.S.C. 6621 (Internal Revenue Code), as amended, compounded daily, from the date
20 the installment payment is due until March 31 following the calendar year of
21 production, and (2) as provided for a delinquent tax under **AS 43.05.225(1)**
22 [AS 43.05.225] after that March 31. Interest accrued under (1) of this subsection that
23 remains unpaid after that March 31 is treated as an addition to tax that bears interest
24 under (2) of this subsection. An unpaid amount of tax due under (a)(4) of this section
25 that is not paid when due bears interest as provided for a delinquent tax under
26 **AS 43.05.225(1)** [AS 43.05.225].

27 * **Sec. 10.** AS 43.55.023(a) is amended to read:

28 (a) A producer or explorer may take a tax credit for a qualified capital
29 expenditure as follows:

30 (1) notwithstanding that a qualified capital expenditure may be a
31 deductible lease expenditure for purposes of calculating the production tax value of oil

1 and gas under AS 43.55.160(a), unless a credit for that expenditure is taken under
 2 AS 38.05.180(i), AS 41.09.010, AS 43.20.043, or AS 43.55.025, a producer or
 3 explorer that incurs a qualified capital expenditure may also elect to apply a tax credit
 4 against a tax levied by AS 43.55.011(e) in the amount of 20 percent of that
 5 expenditure; [HOWEVER, NOT MORE THAN HALF OF THE TAX CREDIT MAY
 6 BE APPLIED FOR A SINGLE CALENDAR YEAR;]

7 (2) a producer or explorer may take a credit for a qualified capital
 8 expenditure incurred in connection with geological or geophysical exploration or in
 9 connection with an exploration well only if the producer or explorer

10 (A) agrees, in writing, to the applicable provisions of
 11 AS 43.55.025(f)(2);

12 (B) submits to the Department of Natural Resources all data
 13 that would be required to be submitted under AS 43.55.025(f)(2).

14 * **Sec. 11.** AS 43.55.023(d) is amended to read:

15 (d) Except as limited by (i) of this section, a person that is entitled to take a tax
 16 credit under this section that wishes to transfer the unused credit to another person or
 17 obtain a cash payment under AS 43.55.028 may apply to the department for **a**
 18 transferable tax credit **certificate** [CERTIFICATES]. An application under this
 19 subsection must be in a form prescribed by the department and must include
 20 supporting information and documentation that the department reasonably requires.
 21 The department shall grant or deny an application, or grant an application as to a lesser
 22 amount than that claimed and deny it as to the excess, not later than 120 days after the
 23 latest of (1) March 31 of the year following the calendar year in which the qualified
 24 capital expenditure, **well lease expenditure**, or carried-forward annual loss for which
 25 the credit is claimed was incurred; (2) the date the statement required under
 26 AS 43.55.030(a) or (e) was filed for the calendar year in which the qualified capital
 27 expenditure, **well lease expenditure**, or carried-forward annual loss for which the
 28 credit is claimed was incurred; or (3) the date the application was received by the
 29 department. If, based on the information then available to it, the department is
 30 reasonably satisfied that the applicant is entitled to a credit, the department shall issue
 31 the applicant **a** [TWO] transferable tax credit **certificate for** [CERTIFICATES,

1 EACH FOR HALF OF] the amount of the credit. [THE CREDIT SHOWN ON ONE
2 OF THE TWO CERTIFICATES IS AVAILABLE FOR IMMEDIATE USE. THE
3 CREDIT SHOWN ON THE SECOND OF THE TWO CERTIFICATES MAY NOT
4 BE APPLIED AGAINST A TAX FOR A CALENDAR YEAR EARLIER THAN
5 THE CALENDAR YEAR FOLLOWING THE CALENDAR YEAR IN WHICH
6 THE CERTIFICATE IS ISSUED, AND THE CERTIFICATE MUST CONTAIN A
7 CONSPICUOUS STATEMENT TO THAT EFFECT.] A certificate issued under this
8 subsection does not expire.

9 * **Sec. 12.** AS 43.55.023(g) is amended to read:

10 (g) The issuance of a transferable tax credit certificate under (d) **of this**
11 **section** or **former** (m) of this section or the purchase of a certificate under
12 AS 43.55.028 does not limit the department's ability to later audit a tax credit claim to
13 which the certificate relates or to adjust the claim if the department determines, as a
14 result of the audit, that the applicant was not entitled to the amount of the credit for
15 which the certificate was issued. The tax liability of the applicant under
16 AS 43.55.011(e) and 43.55.017 - 43.55.180 is increased by the amount of the credit
17 that exceeds that to which the applicant was entitled, or the applicant's available valid
18 outstanding credits applicable against the tax levied by AS 43.55.011(e) are reduced
19 by that amount. If the applicant's tax liability is increased under this subsection, the
20 increase bears interest under AS 43.05.225 from the date the transferable tax credit
21 certificate was issued. For purposes of this subsection, an applicant that is an explorer
22 is considered a producer subject to the tax levied by AS 43.55.011(e).

23 * **Sec. 13.** AS 43.55.023(g) is amended to read:

24 (g) The issuance of a transferable tax credit certificate under (d) of this section
25 or former (m) of this section or the purchase of a certificate under AS 43.55.028 does
26 not limit the department's ability to later audit a tax credit claim to which the
27 certificate relates or to adjust the claim if the department determines, as a result of the
28 audit, that the applicant was not entitled to the amount of the credit for which the
29 certificate was issued. The tax liability of the applicant under AS 43.55.011(e) and
30 43.55.017 - 43.55.180 is increased by the amount of the credit that exceeds that to
31 which the applicant was entitled, or the applicant's available valid outstanding credits

1 applicable against the tax levied by AS 43.55.011(e) are reduced by that amount. If the
 2 applicant's tax liability is increased under this subsection, the increase bears interest
 3 under AS 43.05.225(1) [AS 43.05.225] from the date the transferable tax credit
 4 certificate was issued. For purposes of this subsection, an applicant that is an explorer
 5 is considered a producer subject to the tax levied by AS 43.55.011(e).

6 * **Sec. 14.** AS 43.55.023(l) is amended to read:

7 (l) A producer or explorer may apply for a tax credit for a well lease
 8 expenditure incurred [IN THE STATE SOUTH OF 68 DEGREES NORTH
 9 LATITUDE] after December 31, 2010, and before January 1, 2021 [JUNE 30,
 10 2010], as follows:

11 (1) notwithstanding that a well lease expenditure [INCURRED IN
 12 THE STATE SOUTH OF 68 DEGREES NORTH LATITUDE] may be a deductible
 13 lease expenditure for purposes of calculating the production tax value of oil and gas
 14 under AS 43.55.160(a), unless a credit for that expenditure is taken under (a) of this
 15 section, AS 38.05.180(i), AS 41.09.010, AS 43.20.043, or AS 43.55.025, a producer
 16 or explorer that incurs a well lease expenditure [IN THE STATE SOUTH OF 68
 17 DEGREES NORTH LATITUDE] may elect to apply a tax credit against a tax levied
 18 by AS 43.55.011(e) in the amount of 40 percent of that expenditure; [A TAX CREDIT
 19 UNDER THIS PARAGRAPH MAY BE APPLIED FOR A SINGLE CALENDAR
 20 YEAR;]

21 (2) a producer or explorer may take a credit for a well lease
 22 expenditure incurred [IN THE STATE SOUTH OF 68 DEGREES NORTH
 23 LATITUDE] in connection with geological or geophysical exploration or in
 24 connection with an exploration well only if the producer or explorer

25 (A) agrees, in writing, to the applicable provisions of
 26 AS 43.55.025(f)(2); and

27 (B) submits to the Department of Natural Resources all data
 28 that would be required to be submitted under AS 43.55.025(f)(2).

29 * **Sec. 15.** AS 43.55.023(l) is amended to read:

30 (l) A producer or explorer may apply for a tax credit for a well lease
 31 expenditure incurred in the state south of 68 degrees North latitude after

1 **December 31, 2020** [DECEMBER 31, 2010, AND BEFORE JANUARY 1, 2021], as
 2 follows:

3 (1) notwithstanding that a well lease expenditure **incurred in the state**
 4 **south of 68 degrees North latitude** may be a deductible lease expenditure for
 5 purposes of calculating the production tax value of oil and gas under AS 43.55.160(a),
 6 unless a credit for that expenditure is taken under (a) of this section, AS 38.05.180(i),
 7 AS 41.09.010, AS 43.20.043, or AS 43.55.025, a producer or explorer that incurs a
 8 well lease expenditure **in the state south of 68 degrees North latitude** may elect to
 9 apply a tax credit against a tax levied by AS 43.55.011(e) in the amount of 40 percent
 10 of that expenditure;

11 (2) a producer or explorer may take a credit for a well lease
 12 expenditure incurred **in the state south of 68 degrees north latitude** in connection
 13 with geological or geophysical exploration or in connection with an exploration well
 14 only if the producer or explorer

15 (A) agrees, in writing, to the applicable provisions of
 16 AS 43.55.025(f)(2); and

17 (B) submits to the Department of Natural Resources all data
 18 that would be required to be submitted under AS 43.55.025(f)(2).

19 * **Sec. 16.** AS 43.55.023(n) is amended to read:

20 (n) For the purposes of (l) [AND (m)] of this section, a well lease expenditure
 21 [INCURRED IN THE STATE SOUTH OF 68 DEGREES NORTH LATITUDE] is a
 22 lease expenditure that is

23 (1) directly related to an exploration well, a stratigraphic test well, a
 24 producing well, or an injection well other than a disposal well, [LOCATED IN THE
 25 STATE SOUTH OF 68 DEGREES NORTH LATITUDE,] if the expenditure is a
 26 qualified capital expenditure and an intangible drilling and development cost
 27 authorized under 26 U.S.C. (Internal Revenue Code), as amended, and 26 C.F.R.
 28 1.612-4, regardless of the elections made under 26 U.S.C. 263(c); in this paragraph, an
 29 expenditure directly related to a well includes an expenditure for well sidetracking,
 30 well deepening, well completion or recompletion, or well workover, regardless of
 31 whether the well is or has been a producing well; or

1 (2) an expense for seismic work conducted within the boundaries of a
2 production or exploration unit.

3 * **Sec. 17.** AS 43.55.023(n) is amended to read:

4 (n) For the purposes of (l) of this section, a well lease expenditure **incurred in**
5 **the state south of 68 degrees North latitude** is a lease expenditure that is

6 (1) directly related to an exploration well, a stratigraphic test well, a
7 producing well, or an injection well other than a disposal well, **located in the state**
8 **south of 68 degrees North latitude**, if the expenditure is a qualified capital
9 expenditure and an intangible drilling and development cost authorized under 26
10 U.S.C. (Internal Revenue Code), as amended, and 26 C.F.R. 1.612-4, regardless of the
11 elections made under 26 U.S.C. 263(c); in this paragraph, an expenditure directly
12 related to a well includes an expenditure for well sidetracking, well deepening, well
13 completion or recompletion, or well workover, regardless of whether the well is or has
14 been a producing well; or

15 (2) an expense for seismic work conducted within the boundaries of a
16 production or exploration unit.

17 * **Sec. 18.** AS 43.55.024(b) is amended to read:

18 (b) A producer may not take a tax credit under (a) of this section for any
19 calendar year after the later of

20 (1) **2021** [2016]; or

21 (2) the ninth calendar year after the calendar year during which the
22 producer first has commercial oil or gas production before May 1, **2021** [2016], from
23 at least one lease or property in the state outside the Cook Inlet sedimentary basin, no
24 part of which is north of 68 degrees North latitude, if the producer did not have
25 commercial oil or gas production from a lease or property in the state outside the Cook
26 Inlet sedimentary basin, no part of which is north of 68 degrees North latitude, before
27 April 1, 2006.

28 * **Sec. 19.** AS 43.55.024(d) is amended to read:

29 (d) A producer may not take a tax credit under (c) of this section for any
30 calendar year after the later of

31 (1) **2021** [2016]; or

1 (2) if the producer did not have commercial oil or gas production from
 2 a lease or property in the state before April 1, 2006, the ninth calendar year after the
 3 calendar year during which the producer first has commercial oil or gas production
 4 before May 1, 2021 [2016], from at least one lease or property in the state.

5 * **Sec. 20.** AS 43.55.025(b) is amended to read:

6 (b) To qualify for the production tax credit under (a) of this section, an
 7 exploration expenditure must be incurred for work performed after June 30, 2008, and
 8 before July 1, 2021 [2016], and

9 (1) may be for seismic or other geophysical exploration costs not
 10 connected with a specific well;

11 (2) if for an exploration well,

12 (A) must be incurred by an explorer that holds an interest in the
 13 exploration well for which the production tax credit is claimed;

14 (B) may be for either a well that encounters an oil or gas
 15 deposit or a dry hole;

16 (C) must be for a well that has been completed, suspended, or
 17 abandoned at the time the explorer claims the tax credit under (f) of this
 18 section; and

19 (D) must be for goods, services, or rentals of personal property
 20 reasonably required for the surface preparation, drilling, casing, cementing,
 21 and logging of an exploration well, and, in the case of a dry hole, for the
 22 expenses required for abandonment if the well is abandoned within 18 months
 23 after the date the well was spudded;

24 (3) may not be for administration, supervision, engineering, or lease
 25 operating costs; geological or management costs; community relations or
 26 environmental costs; bonuses, taxes, or other payments to governments related to the
 27 well; costs, including repairs and replacements, arising from or associated with fraud,
 28 wilful misconduct, gross negligence, criminal negligence, or violation of law,
 29 including a violation of 33 U.S.C. 1319(c)(1) or 1321(b)(3) (Clean Water Act); or
 30 other costs that are generally recognized as indirect costs or financing costs; and

31 (4) may not be incurred for an exploration well or seismic exploration

1 that is included in a plan of exploration or a plan of development for any unit before
2 May 14, 2003.

3 * **Sec. 21.** AS 43.55.025(k) is amended to read:

4 (k) Subject to the terms and conditions of this section, if a claim is filed under
5 (f)(1) of this section before January 1, 2021 [2016], a credit against the production tax
6 levied by AS 43.55.011(e) is allowed in an amount equal to five percent of an eligible
7 expenditure under this subsection incurred for seismic exploration performed before
8 July 1, 2003. To be eligible under this subsection, an expenditure must

9 (1) have been for seismic exploration that

10 (A) obtained data that the commissioner of natural resources
11 considers to be in the best interest of the state to acquire for public distribution;
12 and

13 (B) was conducted outside the boundaries of a production unit;
14 however, the amount of the expenditure that is otherwise eligible under this
15 section is reduced proportionately by the portion of the seismic exploration
16 activity that crossed into a production unit; and

17 (2) qualify under (b)(3) of this section.

18 * **Sec. 22.** AS 43.55.028(e) is amended to read:

19 (e) The department, on the written application of a person to whom a
20 transferable tax credit certificate has been issued under AS 43.55.023(d) or **former**
21 **AS 43.55.023(m)** [(m)] or to whom a production tax credit certificate has been issued
22 under AS 43.55.025(f), may use available money in the oil and gas tax credit fund to
23 purchase, in whole or in part, the certificate if the department finds that

24 (1) the calendar year of the purchase is not earlier than the first
25 calendar year for which the credit shown on the certificate would otherwise be allowed
26 to be applied against a tax;

27 (2) [REPEALED

28 (3) REPEALED

29 (4)] the applicant does not have an outstanding liability to the state for
30 unpaid delinquent taxes under this title;

31 **(3)** [(5)] the applicant's total tax liability under AS 43.55.011(e), after

1 application of all available tax credits, for the calendar year in which the application is
2 made is zero;

3 (4) [(6)] the applicant's average daily production of oil and gas taxable
4 under AS 43.55.011(e) during the calendar year preceding the calendar year in which
5 the application is made was not more than 50,000 BTU equivalent barrels; and

6 (5) [(7)] the purchase is consistent with this section and regulations
7 adopted under this section.

8 * **Sec. 23.** AS 43.55.028(g) is amended to read:

9 (g) The department may adopt regulations to carry out the purposes of this
10 section, including standards and procedures to allocate available money among
11 applications for purchases under this chapter and claims for refunds under
12 AS 43.20.046 when the total amount of the applications for purchase and claims for
13 refund exceed the amount of available money in the fund. The regulations adopted by
14 the department may not, when allocating available money in the fund under this
15 section, distinguish an application for the purchase of a credit certificate issued under
16 **former** AS 43.55.023(m) or a claim for refund under AS 43.20.046.

17 * **Sec. 24.** AS 43.55.890 is amended to read:

18 **Sec. 43.55.890. Disclosure of tax information.** Notwithstanding any contrary
19 provision of AS 40.25.100, and regardless of whether the information is considered
20 under AS 43.05.230(e) to constitute statistics classified to prevent the identification of
21 particular returns or reports, the department may publish the following information
22 under this chapter, if aggregated among three or more producers or explorers,
23 showing, by month or calendar year and by lease or property, unit, or area of the state:

24 (1) the amount of oil or gas production;

25 (2) the amount of taxes levied under this chapter or paid under this
26 chapter;

27 (3) the effective tax rates under this chapter;

28 (4) the gross value of oil or gas at the point of production;

29 (5) the transportation costs for oil or gas;

30 (6) qualified capital expenditures, as defined in AS 43.55.023;

31 (7) exploration expenditures under AS 43.55.025;

- 1 (8) production tax values of oil or gas under AS 43.55.160;
 2 (9) lease expenditures under AS 43.55.165;
 3 (10) adjustments to lease expenditures under AS 43.55.170;
 4 (11) tax credits applicable or potentially applicable against taxes levied

5 by this chapter; **the information relating to tax credits under this paragraph, to**
 6 **the extent the information is available to the department, must include the**
 7 **statutory authority for each type of credit taken, the amount of credits taken**
 8 **under each statute authorizing a tax credit, and whether the credit is for an**
 9 **expenditure related to oil or gas exploration, development, or production,**
 10 **including the drilling of wells; performing work on existing wells; conducting**
 11 **geological or geophysical exploration; acquiring, constructing, or installing new**
 12 **facilities or equipment; and maintaining, repairing, or replacing existing facilities**
 13 **or equipment.**

14 * **Sec. 25.** AS 43.56.160 is amended to read:

15 **Sec. 43.56.160. Interest and penalty.** When the tax levied by AS 43.56.010(a)
 16 becomes delinquent, a penalty of 10 percent shall be added. Interest on the delinquent
 17 taxes, exclusive of penalty, shall be assessed at **the rate specified in AS 43.05.225(1)**
 18 [A RATE OF EIGHT PERCENT A YEAR].

19 * **Sec. 26.** AS 43.77.020(d) is amended to read:

20 (d) A person subject to the tax under this chapter shall make quarterly
 21 payments of the tax estimated to be due for the year, as required under regulations
 22 adopted by the department. A taxpayer will be subject to an estimated tax penalty,
 23 determined by applying the interest rate specified in **AS 43.05.225(1)** [AS 43.05.225]
 24 to the underpayment for each quarter, unless the taxpayer makes estimated tax
 25 payments in equal installments that total either

26 (1) at least 90 percent of the taxpayer's tax liability under this chapter
 27 for the tax year; or

28 (2) at least 100 percent of the taxpayer's tax liability under this chapter
 29 for the prior tax year.

30 * **Sec. 27.** AS 43.90.430 is amended to read:

31 **Sec. 43.90.430. Interest.** When a payment due to the state under this chapter

1 becomes delinquent, the payment bears interest at the rate applicable to a delinquent
2 tax under AS 43.05.225(1) [AS 43.05.225].

3 * **Sec. 28.** AS 43.55.023(m) is repealed.

4 * **Sec. 29.** The uncodified law of the State of Alaska is amended by adding a new section to
5 read:

6 APPLICABILITY. (a) Sections 10 - 12, 14, 16, and 28 of this Act apply to
7 expenditures incurred after December 31, 2010.

8 (b) Sections 6 - 8 of this Act apply to oil and gas produced after December 31, 2012.

9 (c) Sections 15 and 17 of this Act apply to expenditures incurred after December 31,
10 2020.

11 * **Sec. 30.** The uncodified law of the State of Alaska is amended by adding a new section to
12 read:

13 TRANSITION: REGULATIONS. The Department of Revenue may adopt regulations
14 to implement this Act. The regulations take effect under AS 44.62 (Administrative Procedure
15 Act), but not before the effective date of the provision of this Act implemented by the
16 regulation.

17 * **Sec. 31.** The uncodified law of the State of Alaska is amended by adding a new section to
18 read:

19 RETROACTIVITY. Sections 10 - 12, 14, 16, 22, 23, and 28 of this Act are retroactive
20 to January 1, 2011.

21 * **Sec. 32.** Section 24 of this Act takes effect January 1, 2012.

22 * **Sec. 33.** Sections 6 - 8 and 29(b) of this Act take effect January 1, 2013.

23 * **Sec. 34.** Sections 15, 17, and 29(c) of this Act take effect January 1, 2021.

24 * **Sec. 35.** Sections 10 - 12, 14, 16, 22, 23, 28, 29(a), and 31 of this Act take effect
25 immediately under AS 01.10.070(c).

26 * **Sec. 36.** Except as provided in secs. 32 - 35 of this Act, this Act takes effect July 1, 2011.